

State of California  
BOARD OF EQUALIZATION  
SALES AND USE TAX REGULATIONS

**Regulation 1521.4. FACTORY-BUILT HOUSING.**

*References:* Section 6012.7, Revenue and Taxation Code.  
Construction Contractors, see Regulation 1521.  
Resale Certificates, see Regulation 1668.  
Transportation Charges, see Regulation 1628.  
Records, see Regulation 1698.

**(a) IN GENERAL.** “Gross receipts” from the sale of factory-built housing, and the “sales price” of factory-built housing, sold or stored, used, or otherwise consumed in this state shall be 40 percent of the sales price of the factory-built housing to the consumer.

**(b) DEFINITIONS.**

(1) Factory-built housing includes only those particular models or units that are approved by the Department of Housing and Community Development of the State of California (Department) or by the local building authority under contract with the Department as factory-built housing within Section 19971 of the Health and Safety Code. Those models or units approved as factory-built housing by the Department or local building authority bear an insignia of approval issued by the Department under Section 19980 of the Health and Safety Code and attached at the factory before shipment.

Such models or units include:

**(A)** A residential building, dwelling unit, or an individual dwelling room or combination of rooms thereof, or building component, assembly, or system, so manufactured that all of its parts cannot be inspected prior to affixation to realty without disassembly, damage, or destruction, including units designed for use as part of an institution for resident or patient care, which is either wholly manufactured or is in substantial part manufactured at an offsite location to be wholly or partially assembled onsite in accordance with regulations adopted by the Commissioner of Housing and Community Development of the State of California or in accordance with applicable local building requirements if such factory-built housing is inspected and approved by the local enforcement agency at the place and time of manufacture pursuant to Section 19990 of the Health and Safety Code.

**(B)** “Modular housing,” which is a three dimensional box or cube-shaped structure or structures making up one or more rooms of a residential building, or an institution or part thereof for resident or patient care.

**(C)** “Sectionalized housing,” which generally consists of two modules which form a total living unit of a residential building, or an institution or part thereof for resident or patient care.

**(D)** “Modular,” “utility,” or “wet cores,” which are three dimensional habitable rooms or modules and which are generally comprised of a kitchen or a bathroom or bathrooms of a residential building, or an institution or part thereof for resident or patient care.

**(E)** “Fixtures” and “materials,” as defined in Regulation 1521, which were included as items sold or purchased as a part of the factory-built housing package and installed in the resulting structure.

(2) Factory-built housing does not include:

**(A)** A “mobilehome,” as defined in Sections 18008 and 18211 of the Health and Safety Code, which provide that a mobilehome is a structure transportable in one or more sections designed and equipped to contain not more than two dwelling units to be used with or without a foundation system.

**Regulation 1521.4. (Continued)**

**(B)** "Precut housing packages," where more than 50 percent of the package consists of precut lumber only. This percentage is determined by using the ratio of direct labor and material costs applicable to the precut lumber to the total direct labor and material costs applicable to the housing package.

**(C)** "Panelized construction," such as walls or components that may become one or more rooms of a building. However, "factory-built housing" does include panelized construction sold by the builder or manufacturer of the panelized construction and which consists of a package including wall panels, floors, and a roof that will form a complete housing structure.

**(D)** Porches, awnings, materials, fixtures, or components which are not purchased as a part of the factory-built housing package.

**(E)** Freestanding appliances, such as freestanding refrigerators, stoves, washers, and dryers, which are included in the sales or purchase price of, and installed as part of, the factory-built housing package.

**(F)** Rugs (except wall-to-wall carpets), draperies, freestanding cabinets, furniture, or other furnishings.

(3) The term "consumer" as used herein means any person who purchases factory-built housing for use in erecting or remodeling a building or other structure on land to be used for residential dwelling purposes or as an institution or part thereof for resident or patient care.

**(c) APPLICATION OF TAX.**

(1) Tax applies to 40 percent of the sales price at which factory-built housing is sold to a "consumer" as defined herein. If factory-built housing is purchased free of tax for resale and is subsequently installed and assembled into buildings by the purchaser or on his behalf, tax applies to 40 percent of the sales price of the factory-built housing provided such buildings are to be used for residential dwelling purposes, or as an institution or part thereof for resident or patient care. If any other use is made of the factory-built housing, tax applies to the full sales price, or to 60 percent of the sales price if purchased tax paid with tax measured by 40 percent of the sales price. Taxable use of property purchased free of tax occurs when the property is allocated for use in construction and tax should be reported and paid with the return for that period.

(2) Tax applies as in Regulation 1521 to:

**(A)** "Factory-built housing" furnished and installed by the manufacturer thereof.

**(B)** Materials used at the jobsite to construct foundations, rough plumbing, or other improvements to realty which are installed preparatory to installing or affixing the factory-built housing and which were not sold or purchased as a part of the factory-built housing package.

**(C)** Fixtures and other items installed in the structure and which are not sold or purchased as a part of the factory-built housing package.

**(d) EXCLUSION CERTIFICATE.** All retailers who make retail sales of "factory-built housing" claimed to be subject to tax measured by 40 percent of the purchase price must obtain from the "consumer" a signed certificate substantially in the form set forth below. Each person using a certificate of this nature must provide his own forms. They will not be supplied by this Board.

**Regulation 1521.4. (Continued)**

The form of certificate prescribed by the Board is:

**CLAIM FOR 60% EXCLUSION FROM TAX ON  
PURCHASE OF FACTORY-BUILT HOUSING**  
(Section 6012.7, Rev. & Tax. Code)

I hereby certify that the factory-built housing that I

\_\_\_\_\_  
(NAME OF PURCHASER-CONSUMER)

am purchasing under the authority of this certificate from

\_\_\_\_\_  
(NAME OF SUPPLIER)

will be consumed by me in erecting or remodeling a building or other structure on land to be used for residential purposes or as an institution or part thereof for resident or patient care. My seller's permit number if any is \_\_\_\_\_

I further certify that I understand and agree that if the property purchased under the authority of this certificate is used by the purchaser for any purpose other than indicated above, the purchaser shall be liable for payment of tax to the State Board of Equalization measured by 60% of the sales price of the factory-built housing at the time of such use.

Date Certificate Given \_\_\_\_\_

Signed by \_\_\_\_\_  
(NAME OF PURCHASER)

As: \_\_\_\_\_  
(OWNER, PARTNER, PURCHASING AGENT, ETC.)

**(e) BOOKS AND RECORDS.** All retailers who claim that their gross receipts from the sale of factory-built housing by reason of the provisions of this regulation is limited to 40 percent of the sales price of such housing must keep adequate and complete records in accordance with Regulation 1698.

The certificates must be attached to or filed in such a manner that they may readily be checked against purchase orders or any document evidencing a sale to the persons claiming that the tax due is limited to 40 percent of the sales price of the factory-built housing.

All purchasers must keep adequate and complete records in accordance with Regulation 1698 and such additional records as will clearly support that all property purchased under the certificate was used exclusively under conditions set forth in this regulation.

**(f) OPERATIVE DATE.** The provisions of this regulation are operative on and after January 1, 1981.

*History:* Adopted April 2, 1981, effective August 19, 1981.

*Regulations are issued by the State Board of Equalization to implement, interpret or make specific provisions of the California Sales and Use Tax Law and to aid in the administration and enforcement of that law. If you are in doubt about how the Sales and Use Tax Law applies to your specific activity or transaction, you should write the nearest State Board of Equalization office. Requests for advice regarding a specific activity or transaction should be in writing and should fully describe the facts and circumstances of the activity or transaction.*